

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended

Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>St. Clair Township</b>	County <b>St. Clair</b>
Audit Date <b>6/30/04</b>	Opinion Date <b>10/14/04</b>	Date Accountant Report Submitted to State <b>12/27/04</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.01], or P.A. 55 of 1982, as amended [MCL 36 1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☒ Yes ☐ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGR).			✓

Certified Public Accountant (Firm Name)

**Stewart, Beauvais & Whipple**

Street Address

**1979 Holland Ave.**

City

**Port Huron**

State

**MI**

ZIP

**48060**

Accountant Signature

*Stewart, Beauvais & Whipple*

Date

**12/27/04**

**ST. CLAIR TOWNSHIP, MICHIGAN**  
St. Clair County, Michigan

**ANNUAL FINANCIAL STATEMENTS**  
and Supplementary Information

**JUNE 30, 2004**

**Stewart,  
Beauvais  
& Whipple** P.C.

CERTIFIED PUBLIC ACCOUNTANTS



**ST. CLAIR TOWNSHIP, MICHIGAN**  
**St. Clair County, Michigan**

**TABLE OF CONTENTS**  
**JUNE 30, 2004**

	<u>Page Number</u>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>3</b>
<b>Basic Financial Statements:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Assets	8
Statement of Activities	9
<b>Fund Financial Statements:</b>	
Balance Sheet -- Governmental Funds	11
Reconciliation of Fund Balances on the Balance Sheet for Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets	12
Statement of Revenues, Expenditures, and Changes in Fund Balances -- Governmental Funds	13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Net Assets -- Proprietary Funds	15
Statement of Revenues, Expenses and Changes in Net Assets -- Proprietary Funds	16
Statement of Cash Flows -- Proprietary Funds	17
Statement of Fiduciary Net Assets -- Fiduciary Funds	18
Notes to the Basic Financial Statements	19
<b>Required Supplementary Information:</b>	
General Fund --	
Schedule of Revenues, Expenditures and Changes in Fund Balance -- Budget and Actual	30
<b>Supplementary Information:</b>	
Sewer Fund --	
Combining Schedule of Net Assets	32
Combining Schedule of Revenues, Expenses and Changes in Net Assets	33
Combining Schedule of Cash Flows	34
Fiduciary Funds --	
Agency Funds --	
Statement of Changes in Assets and Liabilities -- Total All Agency Funds	35
Current Tax Fund	35
Trust and Agency Fund	35



## INDEPENDENT AUDITOR'S REPORT

To the Members of the Township Board  
St. Clair Township  
St. Clair County, Michigan

We have audited the accompanying basic financial statements of St. Clair Township, Michigan, as of and for the year ended June 30, 2004, as listed in the table of contents. These financial statements are the responsibility of St. Clair Township's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the St. Clair Township, Michigan, as of June 30, 2004, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12 to the basic financial statements, the Township adopted Governmental Accounting Standards Board Statement No. 34 and related statements as of and for the year ended June 30, 2004. This resulted in a change in the Township's basic financial statement format and content.

The Management's Discussion and Analysis on pages 3 through 7, and budgetary comparisons on pages 30 and 31 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise St. Clair Township's basic financial statements. The combining schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedure applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Stewart, Beavens & Whipple*  
Certified Public Accountants

October 14, 2004

**OVERVIEW OF THE FINANCIAL STATEMENTS**

St. Clair Township's 2004 annual report is presented in conformity with the requirements of GASB 34. This annual report consists of four parts – management's discussion and analysis, the basic financial statements, required supplementary information, and other supplemental information, which presents combining statements for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the Township. The first two statements are government-wide financial statements that provide both long-term and short-term information about the Township's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the Township's government, reporting the Township's operations in more detail than the government-wide statements.

***Government-wide Financial Statements***

The government-wide statements report information about the Township as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid (full accrual).

The two government-wide statements report the Township's net assets and how they have changed. Net assets, defined as the difference between the Township's assets and liabilities, are one way to measure the Township's financial health or position.

The government-wide financial statements of the Township are divided into two categories:

**Governmental activities** – most of the Township's basic services are included here, such as the police, fire, public works, and general administration. Property taxes, state-shared revenue, charges for services, provide most of the funding.

**Business-type activities** – the Township charges fees to customers to help it cover the costs of certain services it provides. The Township's water and sewer system is treated as business-type activities.

***Fund Financial Statements***

The fund financial statements provide more detailed information about the Township's most significant funds; not the Township as a whole. Funds are accounting devices that the Township uses to keep track of specific sources of funding and spending for particular purposes. Some funds are required by State law and/or by bond covenants. The Township Board establishes other funds to control and manage money for particular purposes.

The Township has three kinds of funds:

**Governmental funds** - Most of the Township's basic services are included in governmental funds, which focus on how cash and other financial assets can readily be converted to cash flow in and out, and the balances left at year end that are available for spending. The governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Township's programs.

**Proprietary funds** - Services for which the Township charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long and short-term financial information.

**Fiduciary Funds** - The Township is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the Township's fiduciary activities are reported in a separate statement of assets and liabilities. We exclude these activities from the Township's government-wide financial statements because the Township cannot use these assets to finance its operations.

#### FINANCIAL OVERVIEW (Government-wide financial analysis)

The Township has combined total net assets of \$6,637,598. This is an increase over 2003 of \$193,781. Government-type activities comprise \$3,442,296, and business-type activities make up \$3,195,302 of the total net assets. In a condensed format, the table below shows net assets as of the June 30, 2004. Future reports will provide comparative data.

	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets	\$ 3,110,145	\$ 1,341,084	\$ 4,451,229
Restricted assets	-	533,182	533,182
Noncurrent assets	363,192	1,822,040	2,185,232
Total assets	<u>3,473,337</u>	<u>3,696,306</u>	<u>7,169,643</u>
<b>Liabilities</b>			
Current liabilities	31,041	71,004	102,045
Long-term liabilities	-	430,000	430,000
Total liabilities	<u>31,041</u>	<u>501,004</u>	<u>532,045</u>
<b>Net Assets</b>			
Invested in capital assets --			
Net of related debt	363,192	1,058,592	1,421,784
Restricted	178,746	103,701	282,447
Unrestricted	<u>2,900,358</u>	<u>2,033,069</u>	<u>4,933,367</u>
Total net assets	<u>\$ 3,442,296</u>	<u>\$ 3,195,302</u>	<u>\$ 6,637,598</u>

The Township governmental activities experienced a net change in assets of \$207,697. The business-type activities experienced a decrease in net assets of \$13,916 which was approximately 2% of expenses.

The following table shows the changes in net assets for 2004. Future reports will provide comparative data for the statement of activities.

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<b>Revenue</b>			
Program revenue:			
Charges for services	\$ 406,394	\$ 627,616	\$ 1,034,010
Operating grants and contributions	26,116	-	26,116
General revenue:			
Property taxes	204,531	-	204,531
Unrestricted grants and contributions	456,870	-	456,870
Unrestricted investment earnings	46,032	27,188	73,220
Total Revenue	<u>1,139,943</u>	<u>654,804</u>	<u>1,794,747</u>
<b>Program Expenses</b>			
General government	231,839	-	231,839
Public safety	329,522	-	329,522
Public works	357,685	-	357,685
Recreation and cultural	13,200	-	13,200
Water and sewer	-	668,720	668,720
Total Program Expenses	<u>932,246</u>	<u>668,720</u>	<u>1,600,966</u>
<b>Changes in net assets</b>	<u>\$ 207,697</u>	<u>\$ ( 13,916)</u>	<u>\$ 193,781</u>

#### *Governmental Activities*

Revenues for governmental activities totaled \$1,139,943 in 2004. The largest revenues source of the Township is State Shared Revenue of \$424,620 followed by charges from service for refuse collection of \$222,960 and taxes of \$204,531.

#### *Business-type Activities*

The Township has two business-type activity, the water and sewer operations. Total revenues including interest on investments was \$654,804 and expenses were \$668,720 for a change in net assets of \$(13,916).

The Township contracts with the City of St. Clair for water and sewer treatment service.

### **FINANCIAL ANALYSIS OF MAJOR TOWNSHIP FUNDS AND BUDGETS**

#### *Governmental Fund*

The General fund ended 2004 with a fund balance of \$1,395,006, with \$182,354 reserved for specific purposes. This is an increase of \$94,418 from the prior year mainly as a result of only transferring \$41,427 where we had budgeted \$191,427 and collection \$53,206 more than was budgeted for refuse collection.



The General Fund budget was amended throughout the year as deemed necessary, primarily to prevent over expenditure. The following significant amendments were made during the year.

- The State shared revenues were amended from \$420,000 to \$473,000 as a result of the decrease not being as substantial as originally predicated.
- The road budget was amended from \$100,000 to \$151,637 as a result of higher costs and several emergency situations that arose during the year.
- The capital outlay budget was amended from \$5,995 to \$64,440 to purchase property for a road into a subdivision. We will also use that property for a stop on the bike path.

There were no budgets adopted for the assessment, inspection or capital improvement.

#### *Business-type Activities*

As indicated earlier the Township only has two business-type activity, the water and sewer operations. Total revenues including interest or investment earning was \$654,804 and expenses were \$668,720 for a decrease in net assets of \$(13,916).

### **CAPITAL ASSETS AND DEBT ADMINISTRATION**

#### *Capital Assets*

The Township had \$1,851,784 invested in capital assets for its government and business-type activities (net of accumulated depreciation) as of June 30, 2004. The investment in capital assets includes land, land improvements, buildings, machinery and equipment, vehicles and water and sewer lines. During the year the Township added \$62,559 of capital assets, all of which were in government-activities.

Of the \$62,597 purchased in the government-type activities \$52,424 was for the purchase of land.

	Governmental Activities	Business-type Activities	Total
Land	\$ 54,924	\$ -	\$ 54,924
Land improvements	87,127	-	87,127
Building and improvements	226,292	-	226,292
Equipment	101,116	29,433	130,549
Water and sewer lines	-	2,486,259	2,486,259
	469,459	2,515,692	2,985,151
Accumulated depreciation	( 106,267)	( 1,027,100)	( 1,133,367)
	<u>\$ 363,192</u>	<u>\$ 1,488,592</u>	<u>\$ 1,851,784</u>

Additional information on the Township's capital assets can be found in Note 5.

#### *Long-Term Debt*

At June 30, 2004 the Township's business-type activities had debt outstanding of \$430,000, a decrease of \$40,000 from the prior year. This debt is related to the construction of the sewer supply system.

## **ECONOMIC FACTORS AND NEXT YEARS BUDGET**

The Township of St. Clair, as with many other Townships throughout Michigan, has seen the revenue sharing from the State of Michigan decline. In order to stay fiscally responsible and still serve the needs of our community, the Board has a balanced budget for 2004-05.

With an increase from the City of St. Clair on our sewer charges, we are looking into raising the sewer rate by the same amount. Since there is a demand for more water and sewer services, master water and sewer plans are being developed.

## **CONTACTING THE TOWNSHIP**

This financial report is designed to provide a general overview of the Township's finances to and our residents and other interested parties in understanding the Township's financial condition. If you have questions about this report or need additional financial information, please contact the Township at (810) 329-9042.

## **BASIC FINANCIAL STATEMENTS**

# ST. CLAIR TOWNSHIP

## STATEMENT OF NET ASSETS JUNE 30, 2004

	Primary Government		
	Governmental Activities	Business Type Activities	Total
<b>ASSETS:</b>			
Cash and cash equivalents	\$ 2,909,311	\$ 1,248,350	\$ 4,157,661
Receivables	165,044	122,757	287,801
Due from other funds	30,542	( 30,542)	-
Prepaid expenditures	5,248	-	5,248
Restricted assets -			
Cash and cash equivalents	-	520,148	520,148
Special assessment	-	13,553	13,553
Sewer capacity rights (net of amortization)	-	333,448	333,448
Capital assets (net of accumulated depreciation)			
Assets not being depreciated	54,924	-	54,924
Assets being depreciated	308,268	1,488,592	1,796,860
Total Assets	<u>3,473,337</u>	<u>3,696,306</u>	<u>7,169,643</u>
<b>LIABILITIES:</b>			
Payables and accrued liabilities	4,791	3,940	8,731
Due to other governmental units	26,250	67,064	93,314
Non-current liabilities			
Due within one year	-	40,000	40,000
Due in more than one year	-	390,000	390,000
Total Liabilities	<u>31,041</u>	<u>501,004</u>	<u>532,045</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	363,192	1,058,592	1,421,784
Restricted			
Debt Retirement	-	533,701	533,701
Parks and Recreation	80,294	-	80,294
Refuse Collection	98,452	-	98,452
Unrestricted	<u>2,900,358</u>	<u>1,603,009</u>	<u>4,503,367</u>
Total Net Assets	<u>\$ 3,442,296</u>	<u>\$ 3,195,302</u>	<u>\$ 6,637,598</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED JUNE 30, 2004**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government</b>				
Governmental activities:				
General Government	\$ 231,839	\$ 9,654		\$ -
Public Safety	329,522	152,734	1,644	-
Public Works	357,685	244,006	-	-
Recreation and Culture	13,200	-	24,472	-
Total governmental activities	<u>932,246</u>	<u>406,394</u>	<u>26,116</u>	<u>-</u>
Business type activities				
Water Supply System	386,548	384,467	-	-
Wastewater	282,172	243,149	-	-
Total business type activities	<u>668,720</u>	<u>627,616</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 1,600,966</u>	<u>\$ 1,034,010</u>	<u>\$ 26,116</u>	<u>\$ -</u>

General revenues:  
Property taxes  
Grants and contribution not -  
restricted to specific programs  
Unrestricted investment income  
Total general revenues

Change in net assets

Net assets at beginning of year

Net assets at end of year

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Change in Net Assets

<u>Primary Government</u>		
<u>Governmental</u>	<u>Business Type</u>	
<u>Activities</u>	<u>Activities</u>	<u>Total</u>
\$ ( 222,185)	\$ -	\$ ( 222,185)
( 175,144)	-	( 175,144)
( 113,679)	-	( 113,679)
11,272	-	11,272
<u>( 499,736)</u>	<u>-</u>	<u>( 499,736)</u>
-	( 2,081)	( 2,081)
-	( 39,023)	( 39,023)
-	( 41,104)	( 41,104)
<u>\$ ( 499,736)</u>	<u>\$ ( 41,104)</u>	<u>\$ ( 540,840)</u>
204,531	-	204,531
456,870	-	456,870
46,032	27,188	73,220
<u>707,433</u>	<u>27,188</u>	<u>734,621</u>
207,697	( 13,916)	193,781
<u>3,234,599</u>	<u>3,209,218</u>	<u>6,443,817</u>
<u>\$ 3,442,296</u>	<u>\$ 3,195,302</u>	<u>\$ 6,637,598</u>

**ST. CLAIR TOWNSHIP**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**JUNE 30, 2004**

	<u>General</u>	<u>Assessment</u>	<u>Inspections</u>	<u>Revolving Capital Improvement</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
<b>Assets:</b>					
Cash and cash equivalents	\$ 1,252,721	\$ 756,341	\$ 380	\$ 899,869	\$ 2,909,311
Receivable - special assessment	-	21,815	-	-	21,815
Due from other governmental units -					
State	143,229	-	-	-	143,229
Due from other funds	31,152	4,346	-	-	35,498
Prepayments and deposits	3,608	-	1,640	-	5,248
<b>Total Assets</b>	<u>\$ 1,430,710</u>	<u>\$ 782,502</u>	<u>\$ 2,020</u>	<u>899,869</u>	<u>\$ 3,115,101</u>
<b>Liabilities:</b>					
Accounts payable	\$ 4,589	\$ -	\$ 202	-	\$ 4,791
Due to other governmental units	26,250	-	-	-	26,250
Due to other funds	4,865	-	91	-	4,956
Deferred revenue	-	17,147	-	-	17,147
<b>Total Liabilities</b>	<u>35,704</u>	<u>17,147</u>	<u>293</u>	<u>-</u>	<u>53,144</u>
<b>Fund Balances:</b>					
Reserved -					
Prepaid expense	3,608	-	1,640	-	5,248
Parks and Recreation	80,294	-	-	-	80,294
Refuse Collection	98,452	-	-	-	98,452
Unreserved -					
Undesignated -					
General Fund	1,212,652	-	-	-	1,212,652
Special Revenue Funds	-	765,355	87	899,869	1,665,311
<b>Total Equity</b>	<u>1,395,006</u>	<u>765,355</u>	<u>1,727</u>	<u>899,869</u>	<u>3,061,957</u>
<b>Total Liabilities and Fund Equity</b>	<u>\$ 1,430,710</u>	<u>\$ 782,502</u>	<u>\$ 2,020</u>	<u>\$ 899,869</u>	<u>\$ 3,115,101</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

RECONCILIATION OF FUND BALANCES ON THE BALANCE SHEET FOR  
GOVERNMENTAL FUNDS TO NET ASSETS OF GOVERNMENTAL ACTIVITIES  
ON THE STATEMENT OF NET ASSETS  
JUNE 30, 2004

Fund Balances - total governmental funds	\$ 3,061,957
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	
Capital assets	469,459
Accumulated depreciation	( 106,267)
Other long term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
Special Assessments	<u>17,147</u>
Net Assets of governmental activities	<u>\$ 3,442,296</u>

The notes to the financial statements are an integral part of this statement.



# ST. CLAIR TOWNSHIP

## STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	General	Assessment	Inspections	Revolving Capital Improvement	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 204,531	\$ -	\$ -	\$ -	\$ 204,531
Licenses and permits	26,539	-	144,485	-	171,024
Intergovernmental -					
Federal/State	432,499	-	-	-	432,499
Local	24,472	-	-	-	24,472
Charges for services	10,475	-	-	-	10,475
Interest and rent	19,229	16,079	-	11,574	46,882
Special assessment	244,006	39,687	-	-	283,693
Other	6,054	-	-	-	6,054
<b>Total Revenues</b>	<b>967,805</b>	<b>55,766</b>	<b>144,485</b>	<b>11,574</b>	<b>1,179,630</b>
<b>Expenditures:</b>					
Current -					
General Government	212,863	-	-	-	212,863
Public Safety	185,421	-	144,101	-	329,522
Public Works	356,477	-	-	-	356,477
Recreation and Cultural	11,660	-	-	-	11,660
Capital Outlay	60,539	-	3,657	-	64,196
<b>Total Expenditures</b>	<b>826,960</b>	<b>-</b>	<b>147,758</b>	<b>-</b>	<b>974,718</b>
Excess of revenues over (under) expenditures	140,845	55,766	( 3,273)	11,574	204,912
<b>Other Financing Sources (Uses):</b>					
Transfers in	-	-	5,000	41,427	46,427
Transfers out	( 46,427)	-	-	-	( 46,427)
<b>Total Other Financing Sources (Uses)</b>	<b>( 46,427)</b>	<b>-</b>	<b>5,000</b>	<b>41,427</b>	<b>-</b>
Excess of revenues and other sources over (under) expenditures and other uses	94,418	55,766	1,727	53,001	204,912
Fund Balances at beginning of year	1,219,795	709,589	-	846,868	2,776,252
Prior period adjustment	80,793	-	-	-	80,793
Fund Balances at beginning of year, as restated	1,300,588	709,589	-	846,868	2,857,045
Fund Balances at end of year	\$ 1,395,006	\$ 765,355	\$ 1,727	\$ 899,869	\$ 3,061,957

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
JUNE 30, 2004

Net change in fund balances - total governmental funds	\$ 204,912
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Capital outlay	62,559
Depreciation expense	( 20,086)
Revenue in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	( 39,688)
Change in net assets of governmental activities	<u>\$ 207,697</u>

The notes to the financial statements are an integral part of this statement.

**ST. CLAIR TOWNSHIP**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2004**

	<u>Water</u>	<u>Sewer</u>	<u>Total</u>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 931,568	\$ 316,782	\$ 1,248,350
Accounts and interest receivable	75,184	47,573	122,757
Due from other funds	-	39,100	39,100
Total Current Assets	<u>1,006,752</u>	<u>403,455</u>	<u>1,410,207</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	-	520,148	520,148
Special assessments	-	13,553	13,553
	<u>-</u>	<u>533,701</u>	<u>533,701</u>
<b>Property, Plant and Equipment:</b>			
Property, plant and equipment	639,808	1,875,884	2,515,692
Less - accumulated depreciation	( 173,616)	( 853,484)	( 1,027,100)
Total Property, Plant and Equipment (net of accumulated depreciation)	<u>466,192</u>	<u>1,022,400</u>	<u>1,488,592</u>
<b>Other Assets:</b>			
Sewer capacity rights	-	518,000	518,000
Less: Amortization	-	( 184,552)	( 184,552)
	<u>-</u>	<u>333,448</u>	<u>333,448</u>
Total Assets	<u>1,472,944</u>	<u>2,293,004</u>	<u>3,765,948</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	2,550	1,390	3,940
Due to other governmental units	29,136	37,928	67,064
Due to other funds	61,105	8,537	69,642
Total Current Liabilities	<u>92,791</u>	<u>47,855</u>	<u>140,646</u>
<b>Current Liabilities - (payable from restricted assets):</b>			
Current portion of long-term liabilities	-	40,000	40,000
<b>Long-Term Liabilities (less current portions):</b>			
Notes payable (net of current portion)	-	390,000	390,000
Total Liabilities	<u>92,791</u>	<u>477,855</u>	<u>570,646</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	466,192	592,400	1,058,592
Reserved for debt retirement	-	533,701	533,701
Unrestricted Undesignated	<u>913,961</u>	<u>689,048</u>	<u>1,603,009</u>
Total Net Assets	<u>\$ 1,380,153</u>	<u>\$ 1,815,149</u>	<u>\$ 3,195,302</u>

The accompanying notes are an integral part of these financial statements.

# ST. CLAIR TOWNSHIP

## STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Water	Sewer	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 354,687	\$ 200,767	\$ 555,454
Other	19,530	21,382	40,912
Total Operating Revenues	<u>374,217</u>	<u>222,149</u>	<u>596,366</u>
<b>Operating Expenses:</b>			
Salaries	22,676	22,420	45,096
Supplies	2,591	1,194	3,785
Water purchases	297,765	-	297,765
Sewer service cost	-	150,115	150,115
Professional fees	6,021	5,640	11,661
Repairs and maintenance	38,090	13,235	51,325
Utilities	-	8,695	8,695
Gas and oil	-	2,276	2,276
Miscellaneous	3,238	2,925	6,163
Depreciation/Amortization	16,167	48,452	64,619
Total Operating Expenses	<u>386,548</u>	<u>254,952</u>	<u>641,500</u>
Operating Income (Loss)	<u>( 12,331)</u>	<u>( 32,803)</u>	<u>( 45,134)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income	11,325	15,863	27,188
Tap-In Fees	10,250	21,000	31,250
Interest expenses	-	( 27,220)	( 27,220)
Total Non-Operating Revenues	<u>21,575</u>	<u>9,643</u>	<u>31,218</u>
Net Income (Loss)	9,244	( 23,160)	( 13,916)
Net Assets at beginning of year	<u>1,370,909</u>	<u>1,838,309</u>	<u>3,209,218</u>
Net Assets end of year	<u>\$ 1,380,153</u>	<u>\$ 1,815,149</u>	<u>\$ 3,195,302</u>

The accompanying notes are an integral part of these financial statements.

# ST. CLAIR TOWNSHIP

## STATEMENT OF CASH FLOWS PROPRIETARY FUNDS FOR THE YEAR ENDED JUNE 30, 2004

	Water	Sewer	Total
<b>Cash Flows From Operating Activities:</b>			
Cash receipts from customers	\$ 398,044	\$ 275,479	\$ 673,523
Cash payments to suppliers	( 464,653)	( 160,512)	( 625,165)
Cash payments to employees	( 22,676)	( 22,420)	( 45,096)
Net Cash Provided (Used) by Operating Activities	( 89,285)	92,547	3,262
<b>Cash Flows From Capital and Related Financing Activities:</b>			
Tap-in fees	10,250	21,000	31,250
Payments received on special assessments	-	16,068	16,068
Principal paid on contracts payable	-	( 40,000)	( 40,000)
Interest paid on contracts payable	-	( 27,220)	( 27,220)
Net Cash Provided (Used) by Capital and Related Financing Activities	10,250	( 30,152)	( 19,902)
<b>Cash Flows From Investing Activities:</b>			
Interest earned	11,325	15,863	27,188
Net Increase (Decrease) in Cash and Cash Equivalents for the year	( 67,710)	78,258	10,548
Cash and Cash Equivalents at Beginning of Year	999,278	758,672	1,757,950
Cash and Cash Equivalents at End of Year	<u>\$ 931,568</u>	<u>\$ 836,930</u>	<u>\$ 1,768,498</u>
<b>Reconciliation of Net Income (Loss) to:</b>			
Net Cash Provided (Used) by Operating Activities:			
Operating income (loss) for the year	\$ ( 12,331)	\$ ( 32,803)	\$ ( 45,134)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation	16,167	48,452	64,619
Change in assets and liabilities:			
Receivable	23,827	( 17,985)	5,842
Due from other funds	-	71,315	71,315
Accounts payable	( 44,482)	29,388	( 15,094)
Due to other funds	( 72,466)	( 5,820)	( 78,286)
Net Cash Provided (Used) By Operating Activities	<u>\$ ( 89,285)</u>	<u>\$ 92,547</u>	<u>\$ 3,262</u>

The accompanying notes are an integral part of these financial statements.

**ST. CLAIR TOWNSHIP**  
**STATEMENT OF FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**JUNE 30, 2004**

	<u>Agency Funds</u>
<b>ASSETS:</b>	
Cash and cash equivalents	<u>\$       43,863</u>
 <b>LIABILITIES:</b>	
Due to others	<u>\$       43,863</u>

The accompanying notes are an integral part of these financial statements.

ST. CLAIR TOWNSHIP, MICHIGAN

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2004

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. Reporting Entity -

St. Clair Township, Michigan, a Municipal Corporation, was organized as a Township in 1823, and operates under the provisions of the constitution and general law of the State of Michigan. The Township is one of twenty-three Townships in St. Clair County and covers an area of approximately 16 square miles. The Township operates under an elected Township Board which consists of a Supervisor, Clerk, Treasurer, and two (2) Trustees, and provides services to its more than 6,300 residents in many areas including fire protection, water, sewer, roads, parks and planning and economic development.

These financial statements present the Township and its component units, entities for which the Township is considered to be financially accountable. There were no component units at June 30, 2004.

B. Government-wide and fund financial statements --

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

### C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year they are due. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Agency funds, a type of fiduciary fund, are unlike all other types of funds, reporting only assets and liabilities. Therefore, agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

State shared revenue, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Also only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

The Township reports the following major governmental funds:

**General Fund** – is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

**Revolving Capital Improvement Fund** – is used to accumulate resources, mainly transfers from the General Fund and interest earned for capital improvements within the Township.

**Assessment Fund** – is used to account for the collection of special assessments.

**Inspection Fund** – is used to account for inspection fees and the cost of providing those inspection.

The Township reports the following major proprietary funds:

**Water Supply System Fund** – is used to account for the treatment and distribution of water to residential and commercial users.

**Wastewater Fund** – is used to account for sanitary sewer services provided to the residential and commercial users.



## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

Additionally, the Township reports the following fund types --

**Agency Funds** --are used to account for assets held by the Township as an agent for other government and other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of the results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for this business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenue and expenses for nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary funds principle on-going operations. The principle operating revenues of the Enterprise Funds are charges to customers for sale and services. Operating expenses from Enterprise Funds include costs of sales and services, administrative expense, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Township's policy to use restricted resources first, the unrestricted resources as they are needed.

### D. Assets, Liabilities and Net Assets or Equity --

#### Deposits and Investments --

The Township's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit with original maturities of three months or less from the date of acquisition. The investment trusts have the general characteristics of demand deposit accounts in that the Township may deposit additional cash at any time and effectively may withdraw cash at any time without prior notice or penalty, and are reported as cash and cash equivalents.

State statutes authorize the Township to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments (except those with a fluctuating per share value).

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

### Receivables and Payables --

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

All trade and property the receivables are shown net of an allowance for uncollectible.

### Property Tax Calendar --

Property taxes levied and collected in December of each year are budgeted and treated as revenue in the current year.

### Capital Assets --

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Township as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

Buildings	7-50
Building Improvements	7-50
Land improvements	7-40
Utility systems	10-50
Machinery and equipment	3-20
Vehicles	3-10

### Long-Term Obligations --

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net assets. Bond premiums and discounts, as well as issuance costs, if significant, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - (cont'd):

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financial uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

### Fund Equity -

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

### Estimates -

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

## NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY:

### Budgets -

The Township Supervisor and the Clerk prepare and submit their proposed operating budgets for the year commencing July 1. The budgets include proposed expenditures and resources to finance them.

Prior to June 30, the proposed budget is presented to the Township. The Board holds a public hearing and may add to, subtract from, or change appropriations. The budget is then legally enacted through the passage of a Township Resolution. After the budget is adopted, all amendments must be approved by the Township Board.

The Township's General Fund budget was adopted at the function level. However, for control purposes is maintained at the object (account) level. The Township did not adopt budgets for the Special Revenue Funds.

### Excess of Expenditures over Appropriations -

<u>Fund Type/Function/Activity</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance</u>
General Fund -			
General Government -			
Treasurer	\$ 27,923	\$ 29,751	\$ 1,828
Board of Review	1,627	1,631	4
Public Works -			
Administrative	10,949	11,794	845
Refuse Collection	172,000	200,815	28,815
Street Lights	18,000	20,304	2,304

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY – (cont'd):****Other –**

The Township has credit cards and have not adopted a formal credit card policy.

The Township did not have one certificate from a financial institution that they deal with.

**NOTE 3 - DEPOSITS AND INVESTMENTS:**

As of June 30, 2004, the carrying amount of the deposits is as follows:

	<u>Government</u>	<u>Fiduciary Funds</u>	<u>Total</u>
Deposits –			
Cash on hand –			
Petty Cash	\$ 700	\$ -	\$ 700
Deposits with Financial Institutions –			
Checking/Money Market	3,925,642	43,863	3,969,505
Savings/Certificates of Deposit	<u>756,467</u>	<u>-</u>	<u>756,467</u>
	<u>\$ 4,677,809</u>	<u>\$ 43,863</u>	<u>\$ 4,721,672</u>

**Deposits –**

The Township's investment policy and Act 217 PA 1982, as amended, authorizes the Township to deposit in certificates of deposit, savings accounts, depository accounts or depository receipts of a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank or credit union whose deposits are insured by an agency of the United States government and which maintains a principal office or branch office located in this State under the laws of this State or the United States, but only if the bank, savings and loan association, savings bank or credit union is eligible to be a depository of surplus funds belonging to the State under Section 5 or 6 of Act 105 of the Public Acts of 1855, as amended, being section 21.145 and 21.146 of the Michigan Compiled Laws.

In addition the Township's policy requires that the financial institutions must document a minimum capital requirement of at least \$10,000,000 and at least five years of operations.

Federal Deposit Insurance Corporation (FDIC) regulations provide that deposits of governmental units are to be separately insured for the amount of \$100,000 for deposits in an insured institution for savings and demand deposits. Furthermore, if specific deposits are regulated by statute or bond indenture, these specific deposits are to be separately insured for the amount of \$100,000.

As of June 30, 2004 the bank balance of the Township's deposits were \$4,721,672 of which \$100,000 was FDIC insured with the balance \$4,021,672 uninsured and uncollateralized.

**NOTE 4 – RECEIVABLES:**

Receivables in the governmental and business-type activities are as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts and interest	\$ -	\$ 122,757
Special assessments	21,815	-
Due from other governmental units –		
State	<u>143,229</u>	<u>-</u>
	<u>\$ 165,044</u>	<u>\$ 122,757</u>

#### NOTE 4 – RECEIVABLES – (cont'd):

Governmental funds reports deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Special Assessments	\$ 17,147	\$ _____

#### NOTE 5 – CAPITAL ASSETS:

##### Primary Government –

Capital asset activity of the primary government for the year ended June 30, 2004 was as follows:

	<u>July 1, 2003</u>			<u>June 30, 2004</u>
	<u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,500	\$ 52,474	\$ _____	\$ 54,974
Capital assets, being depreciated:				
Land improvements	87,127	-	-	87,127
Buildings and improvements	226,292	-	-	226,292
Equipment	90,981	10,135	-	101,116
Total capital assets being depreciated	404,400	10,135	-	414,535
Less accumulated depreciation	( 86,181)	( 20,086)	-	( 106,267)
Total capital assets being depreciated, net	318,219	( 9,951)	-	308,268
Governmental activities capital assets, net	\$ 320,719	\$ 42,473	\$ _____	\$ 363,192
<b>Business Type Activities:</b>				
Capital assets, being depreciated:				
Main and extensions	2,486,259	-	-	2,486,259
Equipment	29,433	-	-	29,433
Total capital assets being depreciated	2,515,692	-	-	2,515,692
Less accumulated depreciation	( 972,841)	( 54,259)	-	( 1,027,100)
Business activities capital assets, net	\$1,542,851	\$ ( 54,259)	\$ _____	\$ 1,488,592

Depreciation expense was charged to functions/programs of the primary government as follows:

<b>Governmental activities:</b>	
General governmental	\$ 18,038
Public Works	508
Recreation	1,540
Total Depreciation expense – governmental activities	\$ 20,086
<b>Business-type activities:</b>	
Water	\$ 16,167
Sewer	36,092
Total Depreciation expense – business-type activities	\$ 54,259

**NOTE 6 - LONG-TERM DEBT:****St. Clair County 1994 Contract Payable --**

On May 1, 1993, the St. Clair County Department of Public Works issued \$675,000 of Sewage Disposal System No. V Series 1993 Bonds for the purpose of paying the cost of construction a sewer systems to serve a portion of the Township. Pursuant to provisions of Act 185, Public Acts of Michigan 1957, as amended, St. Clair Township and the County of St. Clair have entered into a contract whereby the Township has agreed to pay the County annual installments ranging from \$25,000 to \$45,000 through May 1, 2014, with interest ranging from 4.75 to 6.0 percent, payable semi-annually.

In order to pay such amount to the County, the Township is obligated, to the extent necessary, to levy ad valorem taxes without limitation as to the rate or amount on all taxable property located in the Township. It is the intention of the Township to pay the obligations to the County from special assessments, connection charges and quarterly charges.

Balance as of July 1, 2003	\$ 470,000
Payment	( 40,000)
Balance as of June 30, 2004	<u>\$ 430,000</u>

**Annual Requirements to Amortize Debt:**

The annual requirements to amortize bonded debt outstanding at June 30, 2004 is as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 40,000	\$ 24,900	\$ 64,900
2006	40,000	22,740	62,740
2007	40,000	20,540	60,540
2008	40,000	18,300	58,300
2009	45,000	16,020	61,020
2010-2014	<u>225,000</u>	<u>40,365</u>	<u>265,365</u>
	<u>\$ 430,000</u>	<u>\$ 142,865</u>	<u>\$ 572,865</u>

**NOTE 7 - SEWAGE DISPOSAL SYSTEM AGREEMENT:**

In 1972 and 1993, the Township entered into agreements with St. Clair County to acquire and construct sewage disposal mains and extensions. The County has constructed the mains and extension and is leasing them to the St. Clair Township, who is operating, maintaining, and managing these lines. Upon final payment of the bond issues described in Note 6, ownership of the mains and extensions will revert to the Township. The cost of the lines and extensions and the aggregate amount necessary for the retirement of outstanding bond principal are recorded in the Utilities (Sewer) Fund.

**NOTE 7 - SEWAGE DISPOSAL SYSTEM AGREEMENT -- (cont'd):**

St. Clair Township does not operate or own a Sanitary Sewage Disposal Plant; instead, the Township/County has entered into an agreement with the Township of St. Clair to accept and dispose of the Township's sanitary sewage. The latest agreement dated June 27, 1988 provides, among other things that the Township should provide and reserve to the Township, sewage treatment services and Township rights in the sanitary wastewater treatment plant of three hundred sixty-five thousand (365,000) average gallons per day and a peak flow of forty-five thousand six hundred (45,600) gallons per hour.

The Township pays on a monthly basis, its proportionate share of the operations, maintenance and replacement costs of the systems.

**NOTE 8 - WATER SUPPLY:**

The Township has entered into an agreement with the Township of St. Clair to Supply water to the Township. Under the agreement, dated August 22, 2000 the Township agrees to provide the Township up to 500,000 gallons per day. The agreement is for a period of twenty (20) years.

**NOTE 9 - INTERFUND RECEIVABLE, PAYABLE AND TRANSFERS:**

The composition of interfund balances as of June 30, 2004:

**Due to/From Other Funds --**

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Inspection	\$ 91
	Sewer Fund	8,537
	Water Fund	22,524
Assessment Fund	General Fund	4,346
Sewer Fund	Water Fund	38,581
	General Fund	<u>519</u>
		<u>\$ 74,598</u>

**NOTE 10 -- RESERVED FUND BALANCE/RETAINED EARNINGS:****Reserved Fund Balance --**

Fund Balance has been reserved in the general fund to indicate the portion of Fund Balance not available, but reserved for a specific purpose. The following is a summary of the reserved Fund Balance at June 30, 2004:

General Fund -	
Parks and recreation	\$ 80,294
Prepaid expenses	3,608
Refuse Collection	<u>98,452</u>
	182,354
Special Revenue Fund --	
Inspections -	
Prepaid expenses	<u>1,640</u>
	<u>\$183,994</u>

**NOTE 10 – RESERVED FUND BALANCE/RETAINED EARNINGS – (cont'd):**

**Reserved Retained Earnings –**

Retained Earnings have been reserved in the sewer fund in the amount of \$533,701 to indicate that the money is reserved for debt payments.

**NOTE 11 – PRIOR PERIOD ADJUSTMENT:**

A prior period adjustment of \$80,793 was made to the General Fund to recognize non-exchange state shared revenues collected within 90 days.

	Fund Balance as Reported <u>June 30, 2003</u>	<u>Adjustments</u>	Fund Balance as Restated <u>June 30, 2003</u>
General Fund	<u>\$ 1,219,795</u>	<u>\$ 80,793</u>	<u>\$ 1,300,588</u>

**NOTE 12 – RESTATEMENTS:**

As of and for the year ended June 30, 2004, the Township implemented the following Governmental Accounting Standards Board pronouncements:

**Statements**

- No. 33 – *Accounting and Financial Reporting for Nonexchange Transactions*
- No. 34 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*
- No. 36 – *Recipient Reporting for Certain Shared Nonexchange Revenues – An Amendment of GASB No. 33*
- No. 37 – *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments: Omnibus*
- No. 38 – *Certain Financial Statement Note Disclosures*

**Interpretation**

- No. 6 *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements*

The more significant of the changes required by the new standards include:

- Management's discussion and analysis;
- Basic financial statements that include:
- Government-wide financial statements, prepared using the economic resources measurement focus and the accrual basis of accounting;
- Fund financial statements, consisting of a series of statements that focus on a government's major governmental funds and enterprise funds;
- Schedules to reconcile the fund financial statements to the government-wide financial statements;
- Notes to financial statements;
- Required supplementary information, including certain budgetary schedules.



**NOTE 12 -- RESTATEMENTS -- (cont'd):**

As a result of implementing these pronouncements for the fiscal year ended June 30, 2004, the following restatements were made to net assets at June 30, 2003:

*Government-wide financial statements.* Beginning net assets for governmental activities were determined as follows:

Fund balances of general and special revenue funds as of 6/30/03	\$ 2,776,252
Add: Prior period adjustment (Note 11)	<u>80,793</u>
	2,857,045
Add: capital assets	406,900
Less: accumulated depreciation on capital assets	( 86,181)
Add: Deferred revenue	<u>56,835</u>
Net Assets at 6/30/03	<u>\$ 3,234,599</u>

## REQUIRED SUPPLEMENTARY INFORMATION

# ST. CLAIR TOWNSHIP

## GENERAL FUND

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE

#### BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 206,050	\$ 206,050	\$ 204,531	\$( 1,519)
Licenses and permits	16,050	16,050	26,539	10,489
Intergovernmental -				
State	421,600	460,835	432,499	( 48,336)
Local	22,000	22,000	24,472	2,472
Charges for services	11,200	11,200	10,475	( 725)
Interest and rents	16,000	16,000	19,229	3,229
Special assessments	190,800	190,800	244,006	53,206
Other	600	600	6,054	5,454
	<u>884,300</u>	<u>943,535</u>	<u>967,805</u>	<u>24,270</u>
<b>Expenditures:</b>				
General Government -				
Legislative	4,492	4,492	4,212	280
Supervisor	19,877	19,652	19,539	113
Assessor	31,851	37,011	35,305	1,706
Clerk	23,300	22,984	22,913	71
Treasurer	26,975	27,928	29,751	( 1,823)
Board of Review	1,440	1,627	1,631	( 4)
Cemetery	1,570	2,030	1,345	685
Building and grounds	98,251	100,558	97,749	2,809
Elections	400	419	418	1
	<u>208,156</u>	<u>216,701</u>	<u>212,863</u>	<u>3,838</u>
Total General Government				
Public Safety -				
Fire department	156,000	164,203	162,042	2,161
Zoning	2,825	6,527	6,393	134
Planning Commission	7,553	15,687	15,415	272
Liquor law enforcement	1,415	2,060	1,571	489
	<u>167,793</u>	<u>188,477</u>	<u>185,421</u>	<u>3,056</u>
Public Works -				
Department of Public Works	11,395	10,949	11,794	( 845)
Refuse collection	172,000	172,000	200,615	( 28,615)
Roads	100,000	151,634	123,664	27,970
Street lights	18,000	18,000	20,204	( 2,204)
	<u>301,395</u>	<u>352,583</u>	<u>356,477</u>	<u>( 3,894)</u>

Continued

ST. CLAIR TOWNSHIP

GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2004

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Recreational and Cultural - Parks	\$ 9,534	\$ 13,399	\$ 11,660	\$ 1,739
Capital Outlay	5,995	64,440	60,539	3,901
Total Expenditures	692,873	835,600	826,960	8,640
Excess of revenues over (under) expenditures	191,427	107,935	140,845	32,910
Other Financing Uses:				
Transfer Out-				
Improvement	( 191,427)	( 191,427)	( 41,427)	150,000
Inspections	-	-	( 5,000)	( 5,000)
	( 191,427)	( 191,427)	( 46,427)	145,000
Excess of revenues over (under) expenditures and other uses	-	( 83,492)	94,418	177,910
Fund Balance at beginning of year	1,219,795	1,219,795	1,219,795	-
Prior period adjustment	80,793	80,793	80,793	-
Fund Balance at beginning of year, as restated	1,300,588	1,300,588	1,300,588	-
Fund Balance at end of year	\$ 1,300,588	\$ 1,217,096	\$ 1,395,006	\$ 177,910

Concluded

## **SUPPLEMENTARY INFORMATION**

# ST. CLAIR TOWNSHIP, MICHIGAN

## SEWER FUNDS COMBINING SCHEDULE OF NET ASSETS JUNE 30, 2004

	Operating Fund	Jordan Creek	Total
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 316,782	\$ -	\$ 316,782
Receivables -			
Accounts	47,573	-	47,573
Due from other funds	39,100	-	39,100
	<u>403,455</u>	<u>-</u>	<u>403,455</u>
<b>Restricted Assets:</b>			
Cash and cash equivalents	-	\$20,148	\$20,148
Special Assessments	-	13,553	13,553
	<u>-</u>	<u>533,701</u>	<u>533,701</u>
<b>Property, Plant and Equipment</b>			
Machinery and Equipment	23,505	-	23,505
Water and Sewer Lines	1,852,379	-	1,852,379
	<u>1,875,884</u>	<u>-</u>	<u>1,875,884</u>
Less - accumulated depreciation	( 853,484)	-	( 853,484)
	<u>1,022,400</u>	<u>-</u>	<u>1,022,400</u>
<b>Other Assets:</b>			
Sewer capacity rights	\$18,000	-	\$18,000
Less: Amortization	( 184,552)	-	( 184,552)
	<u>333,448</u>	<u>-</u>	<u>333,448</u>
	<u>\$ 1,759,303</u>	<u>\$ 533,701</u>	<u>\$ 2,293,004</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 1,390	\$ -	\$ 1,390
Due to other governmental units	37,928	-	37,928
Due to other funds	8,537	-	8,537
	<u>47,855</u>	<u>-</u>	<u>47,855</u>
<b>Current Liabilities - (Payable from restricted assets):</b>			
Current portion of long-term liabilities	-	40,000	40,000
<b>Long-Term Debt:</b>			
Contract payable - County of St. Clair	430,000	( 40,000)	390,000
	<u>477,855</u>	<u>-</u>	<u>477,855</u>
<b>NET ASSETS:</b>			
Investment in capital assets, net of related liabilities	592,400	-	592,400
Unrestricted			
Reserved for Debt Retirement	-	533,701	533,701
Unreserved	689,048	-	689,048
	<u>\$ 1,281,448</u>	<u>\$ 533,701</u>	<u>\$ 1,815,149</u>

# ST. CLAIR TOWNSHIP, MICHIGAN

## SEWER FUNDS COMBINING SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS FOR THE FISCAL YEAR ENDED JUNE 30, 2004

	Operating Fund	Jordan Creek	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 200,767	\$ -	\$ 200,767
Miscellaneous	21,382	-	21,382
	<u>222,149</u>	<u>-</u>	<u>222,149</u>
<b>Operating Expenses:</b>			
Salaries and benefits	22,420	-	22,420
Supplies	1,194	-	1,194
Sewer service cost	150,115	-	150,115
Professional fees	5,640	-	5,640
Repairs and maintenance	13,235	-	13,235
Utilities	8,695	-	8,695
Gas and oil	2,276	-	2,276
Miscellaneous	2,925	-	2,925
Depreciation	48,452	-	48,452
	<u>254,952</u>	<u>-</u>	<u>254,952</u>
Operating Income (Loss)	<u>( 32,803)</u>	<u>-</u>	<u>( 32,803)</u>
<b>Non-Operating Revenues (Expenses):</b>			
Interest income			
Investment	4,407	9,039	13,446
Special Assessments	-	2,417	2,417
Tap-In Fees	21,000	-	21,000
Interest expense	( 27,220)	-	( 27,220)
	<u>( 1,813)</u>	<u>11,456</u>	<u>9,643</u>
Net Income (Loss) Before Transfers	<u>( 34,616)</u>	<u>11,456</u>	<u>( 23,160)</u>
<b>Transfers In (Out):</b>			
Transfers in	67,420	-	67,420
Transfers out	-	( 67,420)	( 67,420)
	<u>67,420</u>	<u>( 67,420)</u>	<u>-</u>
Net Income (Loss)	32,804	( 55,964)	( 23,160)
Net Assets at beginning of year	<u>1,248,644</u>	<u>589,665</u>	<u>1,838,309</u>
Net Assets at end of year	<u>\$ 1,281,448</u>	<u>\$ 533,701</u>	<u>\$ 1,815,149</u>

**ST. CLAIR TOWNSHIP, MICHIGAN**  
**SEWER FUNDS**  
**COMBINING SCHEDULE OF CASH FLOWS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2004**

	Operating Fund	Jordan Creek	Total
<b>Cash Flow From Operating Activities:</b>			
Cash receipts	\$ 275,479	\$ -	\$ 275,479
Cash payments to suppliers	( 160,512)	-	( 160,512)
Cash payments to employees	( 22,420)	-	( 22,420)
<b>Net Cash Provided by Operating Activities</b>	<u>92,547</u>	<u>-</u>	<u>92,547</u>
<b>Cash Flow From Non-Capital and Related Financing Activities:</b>			
Transfers from/to other funds	67,420	( 67,420)	-
<b>Cash Flow From Capital and Related Financing Activities:</b>			
Tap-in fees	21,000	-	21,000
Payments received on special assessments	-	16,068	16,068
Principal paid on contracts payable	( 40,000)	-	( 40,000)
Interest paid on contracts payable	( 27,220)	-	( 27,220)
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<u>( 46,220)</u>	<u>16,068</u>	<u>( 30,152)</u>
<b>Cash Flow From Investing Activities:</b>			
Interest earned	4,407	11,456	15,863
<b>Net increase (decrease) in cash and cash equivalents for the year</b>	<u>118,154</u>	<u>( 39,896)</u>	<u>78,258</u>
<b>Cash and Cash Equivalents at beginning of year</b>	<u>198,628</u>	<u>560,044</u>	<u>758,672</u>
<b>Cash and Cash Equivalents at end of year</b>	<u>\$ 316,782</u>	<u>\$ 520,148</u>	<u>\$ 836,930</u>
<b>Reconciliation of Operating Income to:</b>			
<b>Net Cash Used by Operating Activities:</b>			
Operating income (loss) for the year	\$( 32,803)	\$ -	\$( 32,803)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities -			
Depreciation/amortization	48,452	-	48,452
Changes in assets and liabilities -			
Receivables	( 17,985)	-	( 17,985)
Due from other funds	71,315	-	71,315
Accounts payable	29,388	-	29,388
Due to other funds	( 5,820)	-	( 5,820)
<b>Net Cash Provided (Used) by Operating Activities</b>	<u>\$ 92,547</u>	<u>\$ -</u>	<u>\$ 92,547</u>



## **FIDUCIARY FUNDS**

**ST. CLAIR TOWNSHIP, MICHIGAN**

**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2004**

	<u>Balance July 1, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>
<b>TOTAL ALL AGENCY FUNDS</b>				
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 49,546</u>	<u>\$ 4,652,467</u>	<u>\$ 4,658,150</u>	<u>\$ 43,863</u>
<b>LIABILITIES</b>				
Due to others	41,884	4,666,613	4,664,634	43,863
Due to other funds	<u>7,662</u>	<u>5,735</u>	<u>13,397</u>	<u>-</u>
Total Liabilities	<u>\$ 49,546</u>	<u>\$ 4,672,348</u>	<u>\$ 4,678,031</u>	<u>\$ 43,863</u>

**CURRENT TAX FUND**

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 7,669</u>	<u>\$ 4,580,788</u>	<u>\$ 4,588,457</u>	<u>\$ -</u>
<b>LIABILITIES</b>				
Due to others	\$ 7	\$ 4,583,350	\$ 4,583,357	\$ -
Due to other funds	<u>7,662</u>	<u>5,735</u>	<u>13,397</u>	<u>-</u>
	<u>\$ 7,669</u>	<u>\$ 4,589,085</u>	<u>\$ 4,596,754</u>	<u>\$ -</u>

**TRUST AND AGENCY FUND**

	<u>Balance June 30, 2003</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2004</u>
<b>ASSETS</b>				
Cash and cash equivalents	<u>\$ 41,877</u>	<u>\$ 71,679</u>	<u>\$ 69,693</u>	<u>\$ 43,863</u>
<b>LIABILITIES</b>				
Due to others	<u>\$ 41,877</u>	<u>\$ 83,263</u>	<u>\$ 81,277</u>	<u>\$ 43,863</u>



To the Members of the Township Board  
St. Clair Township  
St. Clair County, Michigan

In planning and performing our audit of the basic financial statements of St. Clair Township for the year ended June 30, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control. However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the Township's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

**The due from/to other funds should be reconciled on a monthly basis.**

During our audit we noted that there were many times where a due from or due to other funds was recorded in one fund, but the other side was not recorded in the offsetting fund. As a result a considerable amount of additional time was required to reconcile these accounts. To increase controls and the reliability of the internally prepared financial information we recommend that the due from/to other funds be reconciled on a monthly basis.

**The accounts payable per the general ledger should be reconciled to the subsidiary ledger/detail on a monthly basis.**

During our audit we noted that the accounts payables per the general ledger did not agree to the subsidiary accounts payable ledger or supporting documentation. As a result a considerable amount of additional time was required to reconcile these accounts. To increase controls and the reliability of the internally prepared financial information we recommend that the due from/to other funds be recorded on a monthly basis.

**All money received should be recorded through the cash receipting process.**

At the current time tax receipts or water and sewer bills paid by mail are not recorded through the cash receipting module. These items are journal entries into the general ledger at a later date. In the case of water and sewer payments, the individual responsible for maintaining the accounts receivable ledger will periodically get the box where payments are placed and prepare the deposit and enter them into the utility module.

To increase controls we recommend that all payments, whether they are received in person at the Township or through the mail be recorded immediately into the cash receipting module. Also the individual responsible for maintaining the water and sewer receivables should not have not access to payment.

**The water and sewer accounts receivable ledger should be periodically reconciled to the detailed subsidiary records.**

During our audit we noted that the water and sewer accounts receivable ledger was not reconciled to the general ledger on a monthly basis. By not performing this reconciliation, transactions or adjustments may be posted to the general ledger, but not the detailed accounts receivable ledger and vice versa. To increase the control over the utility accounts receivable and cash receipts, and increase the accuracy of internally prepared financial information, the detailed accounts receivable ledger should be reconciled to the general ledger on a monthly basis.

**A chronological listing of all journal entries should be maintained, accompanied by supporting documentation and require authorization.**

During our audit we noted that a chronological listing of journal entries made to the general ledger is not maintained. As a result we noted that entries had been posted multiple times and at times it was difficult to determine exactly why an entry was made. To increase controls we recommend that a chronological listing of all journal entries be maintained, accompanied by supporting documentation and have the proper authorization.

**The Township should investigate purchasing a payroll system that would integrate with the general ledger.**

At the current time the Township utilizes Peachtree to process payroll that does not integrate with the Townships general ledger. As a result a number of manual entries are required to input the payroll information into the Townships general ledger. Controls could be improved by purchasing a payroll program that directly integrates with the general ledger.

**There is a lack of segregation of duties over the general ledger process.**

At the current time the general ledger function is primarily handled by the Township Treasurer, who also is responsible for maintaining the cash accounts and receipting function. Good internal accounting controls requires that no one individual should have control over an entire accounting process. In addition the Michigan Compiled Laws specify that Treasurer be responsible for the cash accounts and that the Clerks office be responsible for the general ledger. This creates good checks and balance over the accounting process.

We understand that in small entities it is very difficult to segregate accounting functions; however we recommend that they be segregated as much as possible.

**The Township should investigate the large difference between the amounts of water purchased vs. the amount water treated at the sewage facility.**

During our analysis of water and sewer treatment cost we noted that the Township purchased approximately 58 million gallons of water, but paid treatment for approximately 106 million. Although we understand that there is always infiltration into the system this appears to be abnormally high.

We recommend that the Township investigate the reason for the large difference.

**The Board should adopt a formal credit card policy.**

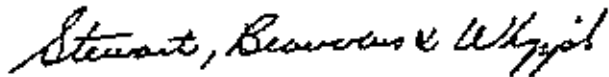
During our audit it was noted that the Township utilizes credit cards to purchase certain items. Michigan Public Act 266 of 1995 authorizes the use of credit cards and open accounts for local municipalities, however the unit must have adopted by resolution a written policy that provides a number of items, including the individual responsible for each credit card, the documentation required, etc.

**Budgets should be adopted for all governmental funds.**

For fiscal 2004 the Township did not adopt budgets for the three Special Revenue Funds; Assessment, Inspection and Revolving Capital Improvement Funds. Michigan Public Act requires that the Township adopt budgets for all governmental funds.

This report is intended solely for the information of the Township Board, management, others within the organization, the Michigan Department of Treasury and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,



October 14, 2004